

House Republicans Retreat on Tax Cut

Many Seek to Restrict Credits for Children; Gingrich Defends Plan but Signals Flexibility

By Eric Pianin
Washington Post Staff Writer

House Speaker Newt Gingrich (R-Ga.) yesterday came under mounting pressure from members of his own party to scale back the costly "Contract With America" tax cut plan in response to criticism that it would help the rich at the expense of the poor and undermine efforts to balance the budget.

One hundred and two House Republicans, including 10 committee chairmen, strongly urged the leadership to peel back the cost of the GOP's \$188 billion, five-year tax cut package by narrowly targeting the benefits of a \$500-per-child tax credit to middle-income families.

The rebellious Republicans, including Rules Committee Chairman Gerald B.H. Solomon (N.Y.), Agriculture Committee Chairman Pat Roberts (Kan.) and freshman Greg Ganske (Iowa), signed a letter insisting that tax credit benefits be limited to families earning \$95,000 a year or less. The current plan would allow families making up to \$200,000

a year to subtract \$500 per child from their income taxes.

During a meeting with reporters, Gingrich hailed the entire tax plan as one of the most important elements of the contract and predicted that it would gain in acceptance in the House and Senate once politicians and the public comprehend "the totality" of the tax breaks for families, the elderly and corporate America.

"The issues are very simple," he said. "Do you think \$500 spent by a bureaucrat is better than \$500 spent by a parent? That is the core issue on the tax credit for children: Who do you think spends it better? Our friends on the left believe bureaucrats spend your money better than you do for your children."

But at the same time, Gingrich noted that "there are some members who feel very strongly they would like to have it targeted a little more than it is now," adding "I don't think that is out of the question."

The change being sought would shave an estimated \$12 billion to

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\$14 billion from the five-year cost of the tax package.

Many of the moderate, centrist and fiscally conservative Republicans pressuring Gingrich and other GOP leaders believe, however, that the change is not enough and that the credit and some of the other more generous tax provisions in the package cannot be justified in the current political climate.

"The concept of cutting taxes is a good idea, but we shouldn't do it now," said Rep. Amo Houghton (N.Y.), a moderate Republican on the Ways and Means Committee. "When you look at the numbers, it will be a humongous problem to try to balance the budget and cut taxes. It will be difficult enough to balance the budget."

Rep. Fred Upton (Mich.), one of a

group of 40 to 50 moderate Republicans attempting to influence policy, said there is "a lot of hostility" among his colleagues toward tax cuts heavily weighted toward the wealthy. "There's a general feeling that there ought to be more emphasis on deficit reduction than tax relief for people making up to \$200,000," he said.

Solomon, one of the more influential Republicans to sign the letter, said: "There are many of us who feel you have to balance the budget first. . . . I would go along with no tax cuts at all."

Solomon, a deficit hawk who has differed with Gingrich in the past, said he is heading a task force of 65 House members devising a bipartisan alternative plan to balance the budget within five years, but without a tax cut. He said that if House GOP leaders insist that Congress approve a major tax package, then the effective date of the proposed tax cuts should be put off until after Congress succeeds in balancing the budget.

The House Republican tax plan, which was approved last week by the GOP majority of the Ways and Means Committee and goes to the full House the first week in April, already has come under vigorous assault from many Senate Republicans and Democrats who contend that tax relief of any kind must take a back seat to deficit reduction. Sen. Phil Gramm (R-Tex.), a conservative running for president, yesterday sharply criticized some of the Finance Committee Republicans who

have sided with Democrats in opposing a major tax cut.

The White House yesterday quickly lauded the letter signed by 102 of the 230 House Republicans. Press secretary Michael McCurry called the letter "the first glimmer of hope of some fiscal sanity" among Republicans. Chief of Staff Leon E. Panetta called it "a small but nevertheless important step towards the president's position" that tax relief be targeted primarily to middle- and lower-income taxpayers.

In a quickly convened presentation in the White House briefing room, Panetta, Treasury Secretary Robert E. Rubin and National Economic Council adviser Laura D'Andrea Tyson produced charts and graphs to make what has been the essential White House point for two months: The original GOP proposal would necessitate severe cuts in programs for the poor and middle class to give tax breaks to the wealthy. The changes advocated by the 102 House Republicans would ameliorate that problem slightly, they said, but are nowhere near enough.

Rubin, who attended a retreat with Senate Finance Committee members this past weekend, said he had not endorsed the committee's plan to pare tax cuts and make spending cuts first. He said he stood behind President Clinton's position, which calls for \$60 billion of targeted middle-class tax cuts and modest deficit reduction.

Staff writer Ann Devroy contributed to this report.